

VZCZCXRO1134
RR RUEHLN RUEHVK RUEHYG
DE RUEHDBU #0862/01 1620813
ZNR UUUUU ZZH
R 110813Z JUN 07
FM AMEMBASSY DUSHANBE
TO RUEHC/SECSTATE WASHDC 0423
INFO RUCNCIS/CIS COLLECTIVE
RUEHBUL/AMEMBASSY KABUL 2119
RUEHNE/AMEMBASSY NEW DELHI 2120
RUEHBJ/AMEMBASSY BEIJING 1960
RUEHIL/AMEMBASSY ISLAMABAD 2154
RUEHPW/AMCONSUL PESHAWAR 0021
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUEHDBU/AMEMBASSY DUSHANBE 2144

UNCLAS SECTION 01 OF 02 DUSHANBE 000862

SIPDIS

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [PGOV](#) [ETRD](#) [EAID](#) [TI](#)

SUBJECT: LIFESTYLES OF THE RICH AND TAJIK

DUSHANBE 00000862 001.2 OF 002

¶1. (SBU) Summary: A recent meeting with recipients of European Bank of Reconstruction and Development (EBRD) small and medium sized enterprise loans shed new light on the obstacles facing small businesses in Dushanbe. Interviews with the owners of furniture, clothing, and household linens stores revealed not only the parasitic and predatory relationship of government toward small businesses both on a national and city level, but a glimpse at how Tajikistan's elite live. End Summary.

¶2. (SBU) The owner of a furniture store on Dushanbe's main artery, Rudaki, openly confided that she daily lived in fear and paid off officials. When asked if she had problems with customs or tax inspectors, she implied that she bribed them and was, "simply thankful to make some money and live a stable life with a stable income for her family." Tired of making \$5 dollars a month as a teacher with a degree as candidate of sciences, she went into business. Her son works as a doctor in Moscow and her daughter is an interpreter for Mitsubishi making \$8,000 a month in Moscow. A quick look at her store and merchandise makes it clear she does not live hand to mouth. She says the only reason she asked for a \$50,000 loan for her furniture store was because she was forced to dip into her working capital when she ran over budget building a \$340,000 vacation cottage for her grandson in the mountains outside Dushanbe. If anything, she belongs to Tajikistan's small middle class. Her business constraints and choices demonstrate just how suffocating the businesses environment is even for those closer to the elite.

¶3. (SBU) Real estate woes: After being stymied in her attempts to build a three-story show room for her furniture store, she was given verbal permission by Dushanbe Mayor Obaidulloev in a quick and hushed meeting in his office to build a small show room behind the converted apartment she uses as a store. In a mere 52 days she whipped together a bright room with track-lighting to store and display tens of thousands of dollars of furniture. (Note: As of 2002, any attempt to build or remodel any structure in Tajikistan has to be approved by the government committee on architecture and construction -- and companies are levied a fee ranging from two to 15 percent of the proposed construction budget. End Note.) The furniture store owner believes that she was ultimately allowed to have her showroom because the President's daughter likes her furniture and may have influenced the mayor.

¶4. (SBU) The furniture sold in her store comes entirely from

China, purchased directly in China or via Dubai, and delivered by train. Roughly 95% of it (excluding the leopard print high-heeled shoe-chairs with red cushions) was some sort of ornate hybrid of synthetic velvets, brocades, and satins with plastic Rococo swirls and crenellations slapped onto shiny wood veneer to give them an 18th century European Louis XIV effect. (Comment: Jean Paul Sartre considered spending all of eternity in a room with such furniture part of his vision of hell in "No Exit." End Comment.)

15. (SBU) The furniture store owner often decorates the homes of Tajikistan's elite. They come to her with room measurements, leaf through her catalogs, and special-order whatever furniture fancies them. Pointing to a white swirly settee with gold and rouge satin and brocade cushions purchased for \$4900 from China, the owner bemoaned that while she could sell it for \$6000 in her store, the president's daughter sometimes comes by and takes pieces like this for \$2000. Indeed, many elites take furniture and slowly pay back in small increments, while some stop paying entirely. She does not charge interest and has no recourse if they default. She would not dream of going to the courts because that "would be very bad for them," and thus ultimately bad for her. "Only God will judge them," she sighed.

16. (SBU) The furniture store owner does not have a credit card, nor does she have a savings account in a bank. When she wants to buy tens of thousands of dollars of furniture from China, she calls in orders from Dushanbe and uses a money wiring service that is not a bank to send the money to China. A trusted person in China delivers that money to three separate furniture companies to complete the transaction. The fact that money in such large volumes is not sent via banks highlights the gross inadequacies of Tajikistan's banking sector when even successful legitimate businesses choose neither to save their money in them nor use their services.

17. (SBU) The owner of clothing and linen stores also admitted to paying customs and tax inspection bribes, but equivocated that

DUSHANBE 00000862 002.2 OF 002

such unpleasant things happen in many places all over the world. Like the furniture store owner, her philosophy towards corruption is to pay for the problem to go away. She also has a higher education, and used to teach at a university, but needed to make more money. She started off with a small store at the bazaar and through small-enterprise loans has gradually grown to own three stores in the center of Dushanbe and employ six people. Her son is a lawyer for the National Bank and her family seems to be comfortably ensconced in the middle class. She did not name her landlord, but conveyed that he was a government official who managed his affairs through an intermediary. Moreover, the landlord recently raised the rent from \$1500 to \$1700.

18. (SBU) Her clothes and linens mainly originate from Turkey. The clothes arrive via air cargo after she personally selects them abroad (and not just shuttle trade via suitcases), but the linens come by truck since they are not subject to changing fashion whims. Her \$70,000 loan and three-year line of credit through the European Bank for Reconstruction and Development lending program (partially supported by USAID) partnered with a local bank will help her import Italian shoes. Shoes have to be ordered and paid for six months in advance and this requirement has forced her to change the way she uses her working capital. Like the furniture store owner, she does not have a continuous savings account, but seems to use a savings account on a short term basis. When she travels abroad to make her orders, she briefly deposits money so that she can use a debit card to cover transactions.

19. (SBU) Comment: While we have often heard of the troubles of micro-enterprises trying to get by in bazaars, these interviews highlight that even larger more successful businesses face a similar problem with government corruption and a weak banking system. Their preference to just pay for their problems to go away and disinclination to organize or fight against wrongs,

however, demonstrate that the business community remains
atomized and weak at the small and medium enterprise level. End
Comment.
HUSHEK